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**DANNHAUSER MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2006**

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**DANNHAUSER MUNICIPALITY**  
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**FOR THE YEAR ENDED 30 JUNE 2006**

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# DANNHAUSER MUNICIPALITY

## GENERAL INFORMATION

### MEMBERS OF THE COUNCIL

Councillor M B Shabalala	Mayor/Chairman of the Executive Committee
Councillor P G Nair	Deputy Mayor/Member of the Executive Committee
Councillor M A Sibeko	Speaker/Chairperson of Council
Councillor M P O Motha	Member of the Executive Committee
Councillor S M Zwane	Member of the Executive Committee
Councillor P P C Kubheka	
Councillor L M Ndlovu	
Councillor J P Khumalo	
Councillor P Bhugwandin	
Councillor C Ndiangamandla	
Councillor P P Nene	
Councillor A N Radebe	
Councillor S V Hlatshwayo	
Councillor N G J Mariyathi	
Councillor M H Masuku	
Councillor G E Zulu	
Councillor Q E Motloung	
Councillor M A Buthelesi	
Councillor B A Thusi	
Councillor M A Mgiyane	

### GRADING OF LOCAL AUTHORITY

Grade 2

### AUDITORS

Auditor-General, Pietermaritzburg

### BANKERS

Standard Bank of SA Ltd, Dannhauser  
Absa Bank Ltd, Newcastle

### COMPUTER SYSTEM

Turbo Munex  
Windows NT  
Hardware support - Nashua, Newcastle  
Software Support - BB Software, Kimberley

### MUNICIPAL MANAGER

B P Khawula  
Appointed 5 June 2006

### ACTING CHIEF FINANCIAL OFFICER

FMA Dickason  
Appointed 28 March 2006 through the Department of Traditional and Local  
Government Affairs Management Assistance Program (MAP)

### APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 7 to 26 were approved by the  
Municipal Manager on 2006 and presented to and approved by  
Council on 2006

\_\_\_\_\_  
MUNICIPAL MANAGER

\_\_\_\_\_  
CHIEF FINANCIAL OFFICER

# DANNHAUSER MUNICIPALITY

## FOREWORD BY HER WORSHIP THE MAYOR

Honourable Speaker, Deputy Mayor, Members of the Executive Committee and Councillors

The Annual Financial Statements for the financial year ended 30 June 2006 for the Dannhauser Municipality are tabled for your consideration.

The Municipality has incurred a surplus of R 1 412 263 for the year under review which is to be added

to the surplus brought forward from the 2005 financial year of R 929 420. In total, the Municipality now has an accumulated surplus of R 2 341 685.

The cash backing of operations, statutory funds, reserves and provisions are sufficient. However as at year end the Council has a surplus of R 1 962 197 in cash reserves; whilst accumulated surplus accumulated surplus was R 2 341 585.

Strenuous efforts will need to be in place to reduce the collection period of our outstanding debts as there will be extreme pressure to meet expenditures if the debts are not collected. Likewise, increased cash collections will reduce the reliance on the temporary advances from internal funds that have been the order of the day.

It is significant that this Municipality is reliant also on the equitable share grant that is received from Central Government, and our gratitude for the grant is extended to National Treasury. Ways and means of reducing this reliance will need to be examined and determined.

**Cllr B SHABALALA**  
**MAYOR**

# DANNHAUSER MUNICIPALITY

## REPORT OF THE CHIEF FINANCIAL OFFICER

### 1 INTRODUCTION

The Annual Financial Statements for the year ended 30 June 2008 are annexed hereto.

### 2 OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in Appendices D and E. The applicable statistics are shown in Appendix F. The overall operating results for the year ended 30 June 2008 are as follows:

INCOME	Actual 2008	Actual 2007	Variance 2008/2007	Budget 2008	Variance Actual Budget
	R	R	%	R	%
Opening surplus	929,422	-			
Operating income for the year	18,579,563	14,376,223	29.93%	18,991,215	1.64%
Adjustments	-	-			
Closing deficit	-	148,884			
<b>TOTAL</b>	<b>18,608,985</b>	<b>14,525,087</b>		<b>18,991,215</b>	
<b>EXPENDITURE</b>					
Opening deficit	-	2,611,690			
Operating expenditure	15,232,348	10,663,975	38.68%	16,902,304	19.42%
Adjustments	2,034,952	-			
Closing surplus	2,341,685	929,422			
<b>TOTAL</b>	<b>18,608,985</b>	<b>14,525,087</b>		<b>18,902,304</b>	

#### 2.1 RATE AND GENERAL SERVICES

	Actual 2008	Actual 2007	Variance 2008/2007	Budget 2008	Variance Actual Budget
	R	R	R	R	%
Income	18,579,563	14,375,260	29.94%	18,991,215	1.64%
Expenditure	15,232,348	10,611,813	43.54%	16,902,304	18.42%
Surplus (Deficit)	3,447,215	3,763,447		68,911	
Surplus (deficit) expressed as					
% of income	18.48%	26.18%		0.47%	

#### 2.2 TRADING SERVICE - WATER

	Actual 2008	Actual 2007	Variance 2008/2007	Budget 2008	Variance Actual Budget
	R	R	R	R	%
Income	-	963		-	100.00%
Expenditure	-	372,162		-	100.00%
Surplus (Deficit)	0	(371,199)		-	
Surplus (deficit) expressed as					
% of income					

Refer to paragraph 7 of this report for further commentary.

#### 2.3 HOUSING SERVICE

	Actual 2008	Actual 2007	Variance 2008/2007	Budget 2008	Variance Actual Budget
	R	R	R	R	%
Income	-	-		-	100.00%
Expenditure	-	-		-	100.00%
Surplus (Deficit)	-	-		-	
Surplus (deficit) expressed as					
% of income					

The nature of prior year housing transactions are subject to scrutiny. The housing operating account (Appendix A) requires further analysis.

**3 CAPITAL EXPENDITURE AND FINANCING**

The expenditure on fixed assets during the year amounted to R 370 399 which exceeded the amount spent in the previous year by 24%. The actual expenditure exceeded the amount budgeted by % and comprised:

	Actual 2006	Budget 2006	Actual 2005
	R	R	R
Land and buildings	138,638	95,000	11,630
Furniture and equipment	307,429	71,000	48,810
Civic buildings			
Plant and equipment		118,342	
Refuse dump	98,513		308,759
Roads		1,280,000	
Vehicles		356,316	
<b>TOTAL</b>	<b>545,578</b>	<b>1,821,658</b>	<b>370,399</b>

Resources used to finance the additions to fixed assets were as follows:

	ACTUALS 2006	Budget 2006	ACTUALS 2005
	R	R	R
Government grant	402,188	1,101,000	308,759
Consol. Capital Development Fund		464,342	
Contribution ex revenue	143,409		80,640
External loans		356,316	-
<b>TOTAL</b>	<b>545,578</b>	<b>1,921,658</b>	<b>370,399</b>

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in Appendix C.

**4 EXTERNAL LOANS, INVESTMENTS AND CASH**

External loans outstanding on 30 June 2006 amounted to R 2 543 258 (2005 : R 3 897 103) as set out in Appendix B.

Investments and cash on hand at 30 June 2005 amounted to R 12 585 317 (2004 : R 8 895 309).

**5 FUNDS, PROVISIONS AND RESERVES**

	2006	2005
	R	R
Statutory funds	4,036,653	3,480,977
Reserves	82,534	83,535
Provisions	7,365,703	7,078,055
<b>TOTAL</b>	<b>11,484,890</b>	<b>10,642,567</b>

Detailed information regarding the funds is disclosed in the notes (1, 2 and 5) and Appendix A to the annual financial statements.

**6 GOING CONCERN**

The municipality is significantly dependent on the grants received from National Treasury and as reported in the following paragraph Water and Sewerage Services have been taken over by the District Municipality. As a consequence, the ability of the Municipality to continue as a going concern is dependent on the continuing support from the National Treasury and from the Provincial Administration.

**7 Powers and Functions**

The water and sewerage services have been taken over by the Amajuba District Municipality in terms of a proclamation effective 1 July 2003.

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ACTING CHIEF FINANCIAL OFFICER

# DANNHAUSER MUNICIPALITY

## ACCOUNTING POLICIES

### 1 BASIS OF PRESENTATION

- 1.1 The Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice (1997) and Report on the Standardisation of Financial Statements of Local Authorities (January 1996 2nd Edition).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in note 4. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis in that:
  - 1.3.1 Income is accrued when measurable and collectible and available to finance operations.
  - 1.3.2 Expenditure is accrued in the year that it is incurred.

### 2 CONSOLIDATION

The financial statements include the Rate and General Services, Water Service, Housing Service and the different funds and reserves.

### 3 FIXED ASSETS

- 3.1 Fixed assets are stated in the financial statements :
  - 3.1.1 at historical cost, or
  - 3.1.2 at valuation ( based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use.
- 3.2 Depreciation
 

The balance stated in the notes to the financial statements under the heading "Loans Redeemed and Other Capital Receipts" is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over the period of their estimated useful lives. Apart from advances from the various Council funds, assets may also be acquired through:

  - 3.2.1 Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income and therefore it is unnecessary to make any further provision for depreciation.
  - 3.2.2 Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.
- 3.3 All net proceeds from the sale of fixed property are credited to the Public Improvement Fund. The net proceeds from the sale of all other assets are credited to the Consolidated Capital Development Fund.
- 3.4 Fixed assets are financed from different sources, including external loans, operating income, grants and subsidies, public contributions and internal advances. These loans and advances are repaid within the period of the estimated useful lives of the assets acquired with the loans or advances. Interest on the loans or advances is charged to the relevant service at the rate applicable to the loans and as determined by council at the time an advance is authorised.

#### 4 FUNDS, PROVISIONS AND RESERVES

##### 4.1 CONSOLIDATED CAPITAL DEVELOPMENT FUND

In terms of section 103 (9) (b) of the Local Authorities Ordinance 1974, (No. 25 of 1974) a contribution is required to be made to the Capital Development Funds of the Rate and General Services and Water Service equivalent to 3 % of gross revenue earned by each Service.

##### 4.2 PROVISIONS AND RESERVES

Contributions are made to the various reserves and provisions on the basis of estimates of future expenditure that is known at the time of making the estimate but the amount cannot be determined with substantial accuracy.

#### 5 INVESTMENTS

Investments are stated in the financial statements at cost and are invested in accordance with the requirements of the Circular No. 10 of 1992 issued by the Office of the Auditor-General. Interest

#### 6 STOCK

Stock on hand is stated in the financial statements at the lower of cost, determined on the first in-first out method and net realisable value.

#### 7 RETIREMENT BENEFITS

Dannhauser Municipality and its employees contribute to the Natal Joint Municipal Pension Fund's three funds which provide retirement benefits for such employees. The funds are subject to the Pension Funds Act, 1956 and self-administered, defined benefit plans. Pensions are calculated on the average annual pensionable emoluments during the last year of service. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuations are carried out at least every three years.

#### 8 SURPLUSES AND DEFICITS

Surpluses or deficits arising from the operations of the Water Service are required by section 243 (2) of the Local Authorities Ordinance, 1974 (No 25 of 1974) to be used for water purposes only. Surpluses or deficits arising from the operations of the Housing Service are required by section 15 (4) and (5) of the Housing Act, No. 107 of 1997 to be dealt with in the Housing Operating Account

#### 9 INCOME RECOGNITION

##### 9.1 Assessment Rates

Dannhauser Municipality applies a differential site rating system. In terms of this system assessment rates are levied on the value of land and improvements of a property and rebates determined by council from time to time are granted to owners of property.



# DANNHAUSER MUNICIPALITY

## BALANCE SHEET AS AT 30 JUNE 2006

	NOTE	2006 R	2005 R
<b>CAPITAL EMPLOYED</b>			
<b>FUNDS AND RESERVES</b>		<b>4,119,187</b>	<b>3,563,510</b>
Statutory funds	1	4,036,653	3,480,976
Reserves	2	82,534	82,534
<b>ACCUMULATED SURPLUS/(DEFICIT)</b>	<b>15</b>	<b>2,341,685</b>	<b>929,420</b>
		<b>6,460,872</b>	<b>4,492,930</b>
<b>LONG TERM LIABILITIES</b>	<b>3</b>	<b>1,531,250</b>	<b>2,406,250</b>
		<b>7,992,122</b>	<b>6,899,180</b>
<b>EMPLOYMENT OF CAPITAL</b>			
<b>FIXED ASSETS</b>	<b>4</b>	<b>462,749</b>	<b>649,149</b>
<b>NET CURRENT ASSETS</b>		<b>7,529,373</b>	<b>6,250,031</b>
<b>CURRENT ASSETS</b>		<b>20,868,825</b>	<b>18,222,121</b>
Debtors	8	8,283,507	8,332,577
Cash on hand		954,259	-
Investments	5	11,631,058	9,015,922
Short term portion of long term debtors	9	-	873,622
<b>CURRENT LIABILITIES</b>		<b>13,339,452</b>	<b>11,972,088</b>
Provisions	6	7,365,703	7,078,055
Creditors	10	4,961,740	3,482,567
Bank overdraft	23	-	120,613
Short term portion of long term liabilities	3	1,012,008	1,290,853
		<b>7,992,122</b>	<b>6,899,180</b>

# DANNHAUSER MUNICIPALITY

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

2005 Actual Income	2005 Actual Expenditure	2005 Surplus/ (deficit)	2005 Budget Surplus/ (deficit)		2006 Actual Income	2006 Actual Expenditure	2006 Surplus/ (deficit)	2006 Budget Surplus/ (deficit)
R	R	R	R		R	R	R	R
14,375,260	10,611,813	3,763,447	14,500	RATE AND GENERAL SERVICES	18,679,563	15,232,348	3,447,215	88,911
<u>14,375,260</u>	<u>10,611,813</u>	<u>3,763,447</u>	<u>14,500</u>	Community services	<u>18,679,563</u>	<u>15,232,348</u>	<u>3,447,215</u>	<u>88,911</u>
983	372,162	(371,199)	-	WATER SERVICE	-	-	-	-
-	-	-	-	HOUSING SERVICE	-	-	-	-
<u>14,376,223</u>	<u>10,983,975</u>	<u>3,392,248</u>	<u>14,500</u>	<b>TOTAL</b>	<u>18,679,563</u>	<u>15,232,348</u>	<u>3,447,215</u>	<u>88,911</u>
				Appropriations for the year (Refer to Note 15)			(2,034,952)	
		62,214		Transfer of water loss to Amajuba District Municipality			-	
		144,365.00		Transfer of sewer surplus to Amajuba District Municipality			-	
		<u>-57,715.00</u>						
		3,541,112		Net for the year			1,412,263	
		(2,611,690)		Accumulated surplus (deficit) at beginning of year			929,422	
		<u>929,422</u>		<b>ACCUMULATED SURPLUS/(DEFICIT) AT END OF YEAR</b>			<u>2,341,685</u>	

# DANNHAUSER MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	NOTE	2006	2005
			R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		<b>4,355,844</b>	<b>8,016,821</b>
Cash utilised in operations	16	2,674,587	2,389,433
Interest paid	14	(249,652)	(190,061)
Investment income	14	-	4,349
Other income received in provisions and statutory funds		1,806,378	5,751,543
Increase (decrease) in working capital	17	(277,638)	(228,201)
<b>CASH AVAILABLE FROM (UTILISED IN) OPERATIONS</b>		<b>3,953,676</b>	<b>7,707,063</b>
Sale of assets and endowments		-	-
Cash contributions from the State		402,168	309,759
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>			
Investment in fixed assets		(545,578)	(370,399)
<b>NET CASH UTILISED</b>		<b>3,810,266</b>	<b>7,646,422</b>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
Increase (decrease) in long term liabilities	20	(117,238)	(364,514)
(Decrease) in bank overdraft and cash	18	(1,077,892)	(664,007)
Increase in investments	19	(2,615,136)	(6,617,901)
<b>NET CASH FLOW</b>		<b>(3,810,266)</b>	<b>(7,646,422)</b>

# DANNHAUSER MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

	2006 R	2005
<b>1 STATUTORY FUNDS</b>		
Consolidated Capital Development Fund	2,843,563	2,367,202
Public Improvement Fund	1,024,405	959,808
Housing Operating Account	168,685	153,967
	<u>4,036,653</u>	<u>3,480,977</u>
(Refer to Appendix A for more detail)		
<b>2 RESERVES</b>		
Maintenance and Renewals reserve - rate and general	82,534	82,534
	<u>82,534</u>	<u>82,534</u>
(Refer to Appendix A for more detail)		
<b>3 LONG TERM LIABILITIES</b>		
uMackali	2,408,250	3,281,250
Interest is payable at the standard government rate less 4% Quarterly repayments are due to commence on 31 March 2006		
Instalment sale agreements	147,811	287,001
Less: deferred finance charges	(10,803)	(32,845)
	<u>137,008</u>	<u>254,248</u>
Annuity loans	-	161,606
	<u>2,545,258</u>	<u>3,687,103</u>
Less: Current portion transferred to current liabilities	1,012,008	1,290,863
	<u>1,531,250</u>	<u>2,406,250</u>
(Refer to Appendix B for more detail)		
Interest is payable at rates varying between 8.5% and 13.45 % per annum and the annuity loans will be fully redeemed by 31 December 2007 None of the annuity loans are secured over any of the assets of the Dannhauser Municipality		
The Instalment sale agreements are being repaid in monthly instalments of R 11 640 and are secured over moveable assets having a book value at 30 June 2004 of	777,625	777,625
<b>4 FIXED ASSETS</b>		
Fixed assets at the beginning of the year	10,660,101	18,526,962
Capital expenditure during the year	545,578	370,399
Less: Assets written off, transferred or disposed of during the year	5,400 T	8,237,280
<b>Total fixed assets</b>	<u>11,200,278</u>	<u>10,660,101</u>
Less: Loans redeemed and other capital receipts	10,737,530 T	(18,086,806) 8,075,654
<b>Net fixed assets</b>	<u>462,748</u>	<u>649,149</u>
(Refer to Appendix C and Section 3 of the Chief Financial Officer's report)		

# DANNHAUSER MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2008

	2008 R	2007
<b>6 INVESTMENTS</b>		
Unlisted		
Short term deposits	<u>11,831,068</u>	<u>9,015,922</u>
The average rate of return earned on investments was	7.83%	9.23%
The deposits have been pledged as security for facilities granted by the Municipality's bankers		
<b>6 PROVISIONS</b>		
Administrative facilities and transitional costs	44,336	40,468
Cemetery	58,336	53,246
Councillors' pension fund	680,825	585,517
Department of Agriculture	283,278	240,308
DM Funding	41,581	37,953
Ematjusi roads	112,438	102,625
Financial Management Grant	273,898	250,000
Fire services	37,897	34,590
Free basic electricity	244,287	222,972
GIS grant	90,689	100,000
I M P monitoring	58,830	(1,170)
MFMA grant	200,000	-
Integrated development plan	88,813	38,339
KwaGule Bakery	53,439	527,325
Land use management system	168,590	185,944
Leave pay	482,065	584,928
Management assistance programme	995,218	1,072,620
Municipal systems improvement	307,407	280,585
Valuation Roll grant	166,000	-
Performance management system	310,282	283,181
Rural areas infrastructure	344,147	331,868
Storm relief	2,154,759	1,988,750
Tourism	208,529	181,999
	<u>7,365,703</u>	<u>7,076,055</u>
<b>7 STORES</b>		
General	-	-
Diesel and oil	-	-
Water	-	-
No stores was in operation during the two (2) financial years. Only a holding cell was utilized for goods received prior to delivery to the requisitioning department.	-	-
<b>8 DEBTORS</b>		
Consumer	6,223,277	4,178,581
Loans - personal	748,889	748,324
Current debtors	2,187,652	3,162,242
House rental debtors	58,896	122,698
Land sale debtors	920,038	42,188
Amajuba DM - DBSA loans (Refer to Appendix B)	-	161,608
	<u>10,138,732</u>	<u>8,415,617</u>
Less: Provision for bad debts	<u>(1,855,223)</u>	<u>(53,040)</u>
	<u>8,283,509</u>	<u>8,332,577</u>
Amounts written off as bad debts amounted to	-	-
Write off as a percentage of total operating income	0.00%	0.00%
Number of days outstanding in debtors	162	212

# DANNHAUSER MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

	2006 R	2005
<b>9 LONG TERM DEBTORS</b>		
Housing debtors - purchasers	-	873,522
	-	873,522
Less: Short term portion transferred to current assets	-	-
	-	873,522
<b>10 CREDITORS</b>		
Sundry creditors	4,980,990	3,338,017
Deposits	750	144,549
	4,981,740	3,482,566
<b>11 COUNCILLORS' REMUNERATION</b>		
Mayor's allowance	101,824	63,307
Deputy Mayor's allowance	83,302	50,640
Speaker's allowance	83,302	50,640
Executive committee allowances	157,300	94,920
Councillors' allowances	695,208	380,700
Pension fund contributions	-	96,031
	1,120,936	736,238

The salaries, allowances and benefits of all political officers are within the upper limits of the framework as envisaged in Sect 219 of the Constitution read with the Remuneration of Public Office Bearers Act, No 29 of 1998.

Pension fund contributions for 2006 are included in the categorized remuneration disclosure.

<b>12 AUDITORS' REMUNERATION</b>			
Audit fees		154,170	23,387
<b>13 ASSESSMENT RATES</b>			
	Valuation at 01/07/2004	2006 Actual Income	2005 Actual Income
Rateable			
Residential )			
Commercial )	53,201,900	2,890,489	3,054,012
State )			
Municipal )			
		2,890,489	3,054,012

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## DANNHAUSER MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

	2006 R	2005
13 Revaluations are required to be carried out at intervals not exceeding five years. The last general revaluation was on 26/03/2002		
Rate randage - Dannhauser		
Land	0.162954c/R1	
Vacant land	0.202824c/R1	
Buildings	0.008455c/R1	
Rate randage - Hattingspruit		
Land	0.445c/R1	
Vacant land	0.445c/R1	
Buildings	0.195c/R1	
Rebate to qualifying pensioners	20%	
14 FINANCE TRANSACTIONS		
Total external interest earned or paid - interest earned	708,371	221,337
Interest paid	481,843	190,061
Capital charges debited to operating account		
Interest:		
External loans	249,652	190,061
Internal advances	232,191	32,937
Redemption:		
External loans	139,280	146,133
Internal advances	41,721	44,127
	662,844	413,258
15 APPROPRIATIONS		
Appropriation account:		
Accumulated (deficit) surplus at beginning of year	929,420	(2,611,690)
Operating surplus/(deficit) for the year	3,447,215	3,392,246
Appropriations for the year:		
Prior year adjustments	(2,034,952)	148,864
Sundry corrections	(1,795,112)	62,214
Interest temporary advances 2003/2004	(239,840)	-
Transfer of water loss to Amajuba District Municipality	-	144,385
Transfer of sewer surplus to Amajuba District Municipality	-	(57,715)
Accumulated (deficit) surplus at end of year	2,341,583	929,420

# DANNHAUSER MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

	2006 R	2005
<b>16 CASH GENERATED BY OPERATIONS</b>		
(Deficit) surplus for the year	3,447,215	3,382,246
Prior year's adjustments	(2,034,952)	148,864
<b>Appropriations charged against income</b>		
Capital charges:		
Interest:		
External loans	248,652	190,061
Internal advances	232,191	32,937
Internal advances - prior year	239,840	
Redemption:		
External loans	139,280	148,133
Internal advances	41,721	44,127
Contributions to bad debt provision	1,772,183	564,826
Contributions to fixed assets	143,409	60,640
Investment income credited to the operating account		(4,349)
Stale cheques written back	126,912	
Non-operating expenditure:		
Expenditure charged against provisions and reserves	(1,755,153)	(941,720)
Transfer of powers and functions	0	(1,254,161)
Prior year adjustments	72,289	(10,282)
	<b>2,674,687</b>	<b>2,369,433</b>
<b>17 INCREASE (DECREASE) IN WORKING CAPITAL</b>		
(Increase) decrease in stores		7,330
(Increase) decrease in debtors, long term debtors	922,891	(1,662,040)
Increase (decrease) in creditors and deposits	(1,200,329)	1,318,510
	<b>(277,538)</b>	<b>(226,201)</b>
<b>18 (INCREASE) DECREASE IN CASH AND BANK</b>		
Cash and bank balance at beginning of year	(120,613)	(640,087)
Less: Cash and bank balance at end of year	967,279	23,920
	<b>(1,077,892)</b>	<b>(664,007)</b>
<b>19 (INCREASE) DECREASE IN EXTERNAL INVESTMENTS</b>		
Investments realised	7,100,252	5,950,834
Investments made	9,715,368	12,568,735
	<b>(2,615,136)</b>	<b>(8,617,901)</b>



# DANNHAUSER MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

	2006 R	2005
<b>20 INCREASE (DECREASE) IN LONG TERM LOANS (EXTERNAL)</b>		
Loans raised	(117,238)	(364,514)
Loans repaid	(117,238)	(364,514)
<b>21 RETIREMENT BENEFITS</b>		
<p>Employees belong to the following funds within the Natal Joint Municipal Pension Fund which provide retirement benefits to such employees.</p> <p>(i) Natal Joint Municipal Pension Fund (retirement)</p> <p>(ii) Natal Joint Municipal Pension Fund (superannuation).</p> <p>(iii) Natal Joint Municipal Pension Fund (provident).</p> <p>The retirement plans are subject to the Pension Fund Act, 1956 with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.</p> <p>Full actuarial valuations are performed at least every three years. The latest independent valuation, undertaken on 31 March 2002, indicated a surplus of R13.8 million in respect of the Superannuation Fund and a deficit of R103.4 million in respect of the Retirement Fund. The fund has decided that no further surcharge is required from 1 July 2002.</p> <p>The Provident Fund was in a sound financial position whereby its assets exceeded its liabilities.</p> <p>As the final retirement benefits payable to members are determined solely by the contributions paid to the fund, together with investment earnings thereon, the Municipality has no unfunded liabilities.</p>		
<b>22 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS</b>		
Guarantees by	NIL	NIL
<b>23 BANK OVERDRAFT</b>		
The Municipality's bankers have granted facilities of until 30 June 2005	400,000	400,000
Interest is chargeable at prime rate for overdrafts.		
Security:		
Cession of Council Investments	-	-
<b>24 CAPITAL COMMITMENTS</b>		
Commitments for capital expenditure		
Approved and contracted for	-	1,360,000
Approved but not yet contracted for	-	1,580,659
		2,940,659

This expenditure will be financed from:  
Internal sources

# DANNHAUSER MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

	2006 R	2005
External sources		
Provincial government	-	-
National government	-	-
Other sources	-	1,992,800
	-	1,992,800
<b>25 CONSOLIDATED CAPITAL DEVELOPMENT FUND</b>		
Outstanding advances to borrowing services		
Accumulated funds	2,843,663	2,367,202
Less:		
Temporary advances	-	(2,036,345)
External investments	2,599,729	(45,302)
Refer to Appendices A and B for more detail	243,834	285,555
<b>26 PUBLIC IMPROVEMENT FUND</b>		
Outstanding advances to borrowing services		
Accumulated funds	1,024,405	959,808
Less:		
Capital outlay	289,466	284,066
External investments	734,839	675,742
Refer to Appendices A and B for more detail	-	-
<b>27 HOUSING OPERATING ACCOUNT</b>		
Outstanding advances to borrowing services		
Accumulated funds	(168,685)	(153,967)
Less:		
External investment/ (Temporary advances)	168,685	153,967
Refer to Appendix A for more detail	-	-
<b>28 SENIOR MANAGEMENT REMUNERATION</b>		
In terms of Section 124 of the Municipal Finance Management Act, No 56 of 2003 the following information is disclosed:		
1. Total gross remuneration of the municipal manager, chief financial officer and senior management.		
The gross remuneration disclosed is for 12 months unless otherwise stated and includes performance bonus:		
Municipal Manager ( 8 months)	247,333	
Manager Technical Services	211,721	
Manager Health Services	192,915	
Manager Secretarial Services	187,635	
<b>29 PRIMARY BANK ACCOUNT</b>		
Standard Bank of South Africa		

## DANNHAUSER MUNICIPALITY

## APPENDIX A

## STATUTORY FUNDS, RESERVES AND PROVISIONS

	Balance at 30/06/2005	Contributions during the year	Adjustments	Interest on investments	Other Income	Operating expenditure during the year	Balance at 30/06/2006
	R	R	R	R	R	R	R
<b>STATUTORY FUNDS</b>							
Consolidated Capital Development Fund	2,367,202	-	-	476,361	-	-	2,843,563
Public Improvement Fund	959,808	-	-	64,597	-	-	1,024,405
Housing operating account	163,987	-	-	14,718	-	-	188,685
	<b>3,480,977</b>	-	-	<b>555,676</b>	-	-	<b>4,036,653</b>
<b>RESERVES</b>							
Renewals fund							
Rate and General Services	82,534	-	-	-	-	-	82,534
	<b>82,534</b>	-	-	-	-	-	<b>82,534</b>
<b>PROVISIONS</b>							
Rate and General Services							
Administrative facilities and transitional costs	40,468	-	-	3,868	-	-	44,336
Cemetery	53,246	-	-	5,090	-	-	58,336
Councillors' pension fund	565,517	-	-	65,972	19,337	-	660,825
Department of Agriculture	240,306	-	-	22,972	-	-	263,278
DM funding	37,953	-	-	3,628	-	-	41,581
Emafusini roads/sportsfields	102,626	-	-	9,810	-	-	112,436
Financial Management Grant	260,000	-	-	23,898	-	-	273,898
Fire services	34,590	-	-	3,307	-	-	37,897
Free basic electricity	222,972	-	-	21,315	-	-	244,287
GIS grant*	100,000	-	-	9,559	-	18,890	90,669
Housing plan - DBSA grant*	-	-	-	-	47,374	47,374	-
I M P monitoring	(1,170)	-	-	-	80,000	-	58,830
MFMA grant*	-	-	-	-	200,000	-	200,000
Integrated Development plan	36,338	-	-	3,474	100,000	50,000	89,813
KwaGule Bakery	527,325	-	113,885	50,408	53,440	691,599	53,439
Valuation Roll grant*	-	-	-	-	185,000	-	185,000
Land use management systems	185,944	-	-	17,775	50,000	85,030	168,690
Leave pay	564,826	-	-	-	-	82,861	482,065
Management assistance prog*	1,072,620	-	-	102,536	500,000	679,937	985,216
Municipal systems improvement	280,585	-	-	26,822	-	-	307,407
Performance management syste	283,191	-	-	27,071	-	-	310,262
Rural areas infrastructure	331,668	-	-	31,726	-	19,448	344,147
Storm relief	1,988,750	-	-	188,009	-	-	2,154,759
Tobacco	161,999	-	-	15,486	66,715	35,671	208,526
Waste development	-	-	4,348	-	40,000	44,348	-
	<b>7,078,055</b>	-	<b>118,211</b>	<b>622,728</b>	<b>1,301,864</b>	<b>1,755,153</b>	<b>7,385,703</b>

4 036 653  
7 365 703  
11 402 356  
82 534  
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# DANNHAUSER MUNICIPALITY

## APPENDIX B

### EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Maturity date	Balance at 30/06/2005	Received during the year	Redeemed or written off during the year	Adjustments	Balance at 30/06/2006
		R	R	R	R	R
LONG TERM OPERATING LOAN uMasekeli		3,281,250	-	875,000	-	2,406,250
ANNUITY LOANS Rate and General Services						
Development Bank of SA (Amajuba DM) Loan @ 9.5% p.a.	31/12/2007	42,131	-	42,131	-	-
Loan @ 13.45% p.a.	30/02/2007	104,208	-	104,208	-	-
Instalment Sale Agreements						
ABSA Bank		287,081	-	139,280	-	147,811
Less: Deferred finance charges		(32,845)	-	22,042	-	(10,803)
<b>TOTAL</b>		<b>400,585</b>	<b>-</b>	<b>263,577</b>	<b>-</b>	<b>137,008</b>
Water Service						
Development Bank of SA (Amajuba DM) Loan @ 8.5% p. a.	30/06/2006	15,267	-	15,267	-	-
<b>TOTAL</b>		<b>15,267</b>	<b>-</b>	<b>15,267</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXTERNAL LOANS</b>		<b>3,697,102</b>	<b>-</b>	<b>1,153,844</b>	<b>-</b>	<b>2,543,258</b>

ADVANCES TO BORROWING SERVICES	Balance at 30/06/2005	Received during the year	Redeemed or written off during the year	Adjustments	Balance at 30/06/2006
	R	R	R	R	R
Consolidated Capital Development Fund to Rate and General Services	285,555	-	41,721	-	243,834
<b>TOTAL ADVANCES</b>	<b>285,555</b>	<b>-</b>	<b>41,721</b>	<b>-</b>	<b>243,834</b>

## DANNHAUSER MUNICIPALITY

## APPENDIX C

## ANALYSIS OF FIXED ASSETS

Expenditure 2005		Budget 2005	Balance 30/06/2005	Expenditure during year	Redeemed, transferred or written off	Balance 30/06/2006
R		R	R	R	R	R
370,399	<b>RATE AND GENERAL SERVICES</b>	1,921,668	8,448,428	545,578	-	6,994,005
	• Community Services	1,737,318	5,300,162	302,656	-	5,802,818
	- Administration	-	281,552	18,890	-	300,442
	- Council General	-	56,330	-	-	56,330
	- Civic buildings	-	1,402,586	-	-	1,402,586
	- Protection services	48,000	232,312	-	-	232,312
	- Treasury	53,000	334,987	283,766	-	618,763
	- Health	-	19,872	-	-	19,872
	- Vehicles	356,316	279,999	-	-	279,999
	- Roads	1,280,000	2,692,514	-	-	2,692,514
60,640	<b>Subsidised Services</b>	137,677	610,519	143,409	-	753,928
	- Library	-	280	-	-	280
48,810	- Gardens, recreation and cleansing	57,677	283,586	4,773	-	288,359
11,830	- Land and buildings	80,000	326,653	138,636	-	465,289
309,759	<b>Economic Services</b>	48,665	537,747	99,513	-	637,259
309,759	- Refuse dump	-	517,625	99,513	-	617,137
-	- Workshop	46,665	20,122	-	-	20,122
	- Housing Service	-	3,927,807	-	-	3,927,807
	- Economic and Sub-economic Housing	-	3,927,807	-	-	3,927,807
	- Public Improvement Fund	-	284,066	-	5,400	278,666
	- Land and Improvements	-	284,066	-	5,400	289,466
370,399	<b>TOTAL FIXED ASSETS</b>	1,921,668	10,660,101	545,578	5,400	11,200,271
	<b>LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>		10,010,951	728,579	-	10,737,531
	Loans redeemed and advances repaid		701,081	181,001	-	882,081
	Contributions ex revenue		60,636	143,409	-	204,045
	Grants, subsidies and public contributions		9,120,076	402,168	-	9,522,244
	Sale of assets		84,638	-	-	84,638
	Endowments		44,520	-	-	44,520
	<b>NET FIXED ASSETS</b>		848,150	(181,001)	5,400	462,749

# DANNHAUSER MUNICIPALITY

## APPENDIX D

### ANALYSIS OF OPERATING INCOME AND EXPENDITURE

FOR THE YEAR ENDED 30 JUNE 2006

Actual 2005		Actual 2006	Budget 2006
R		R	R
<b>INCOME</b>			
	Grants and subsidies		
9,234,470	Central government	13,280,437	13,280,438
398,581	Provincial government	314,066	415,000
3,064,012	Operating income		
1,679,160	Assessment rates	2,890,489	3,066,314
	Other service charges	2,194,571	2,229,463
<b>14,376,223</b>	<b>TOTAL INCOME</b>	<b>18,679,563</b>	<b>18,991,215</b>
<b>EXPENDITURE</b>			
7,590,048	Salaries, wages and allowances	8,382,387	8,869,728
1,800,221	General expenses	3,347,555	4,518,812
554,884	Repairs and maintenance	923,969	1,663,191
413,258	Capital charges	662,844	962,190
60,640	Contributions to fixed assets	143,409	53,000
564,928	Contributions	1,772,183	2,837,383
<b>10,983,976</b>	<b>TOTAL EXPENDITURE</b>	<b>16,232,348</b>	<b>18,902,304</b>

## DANNHAUSER MUNICIPALITY

## APPENDIX E

## DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

2005 Actual income	2005 Actual Expenditure	2005 Surplus/ (Deficit)		2006 Actual Income	2006 Actual Expenditure	2006 Surplus/ (Deficit)	2006 Budget Surplus
R	R	R		R	R	R	R
14,375,280	10,611,813	3,763,447	Rate and general services	18,679,563	15,232,348	3,447,215	88,911
14,375,260	10,611,813	3,763,447	Community services	18,679,563	15,232,348	3,447,215	88,911
3,064,012	-	3,064,012	Assessment rates	2,890,489	-	2,890,489	3,086,314
-	961,345	(961,345)	Council General	-	1,884,284	(1,884,284)	(1,916,536)
530,761	607,758	(76,995)	Protection services	838,036	768,850	69,186	(478,088)
10,047,434	5,390,893	4,656,541	Corporate Services	-	1,792,839	(1,792,839)	(2,040,884)
-	-	-	Treasury	14,154,808	4,255,275	9,899,533	8,136,591
69,465	1,158,519	(1,089,054)	Technical Services	67,355	3,019,703	(2,952,348)	(3,300,172)
663,588	2,493,300	(1,829,712)	Community Services	729,075	2,748,630	(2,018,555)	(2,041,888)
-	-	-	Own Development	-	347,291	(347,291)	(625,160)
-	-	-	Municipal Manager	-	415,475	(415,475)	(711,266)
963	372,162	(371,199)	Trading service	-	-	-	-
963	372,162	(371,199)	Water	-	-	-	-
-	-	-	Housing service	-	-	-	-
-	-	-	Economic/Sub economic housing	-	-	-	-
14,376,223	10,983,975	3,392,248	GRAND TOTAL	18,679,563	15,232,348	3,447,215	88,911
		62,214	Appropriations for the year			(2,034,852)	
		144,365	Transfer of water loss to Amajuba District Municipality			-	
		(57,715)	Transfer of sewer surplus to Amajuba District Municipality			-	
		3,541,112	Net surplus/ (deficit) for the year			1,412,283	
		(2,611,690)	Accumulated (deficit) surplus At beginning of year			929,422	
		829,422	ACCUMULATED SURPLUS AT END OF YEAR			2,341,685	

# DANNHAUSER MUNICIPALITY

## APPENDIX F

### STATISTICAL INFORMATION

	2006	2005	2004
Population	102700	102700	98000
Value of rateable property			
Land	11262500	11262500	11,262,500
Improvements	121066300	121066300	121,066,300
Building clauses	298000	298000	298,000
	<u>132,626,800</u>	<u>132,626,800</u>	<u>132,626,800</u>
Value of non - rateable property			
Land	2,696,000	2,696,000	2,696,000
Improvements	4,758,700	4,758,700	4,758,700
	<u>7,454,700</u>	<u>7,454,700</u>	<u>7,454,700</u>
Fixed date of last valuation	01 January 2002	01 January 2002	01 January 2002
Assessment rates - Cents/Rand			
Dannhauser			
Land	0.202789	0.162954	0.171102
Vacant land	0.252528	0.202924	0.213070
Improvements	0.010521	0.008455	0.008878
Hattlingspruit			
Land	0.63265	0.4450	0.0467
Vacant land	0.63265	0.4450	0.0467
Improvements	0.27770	0.1950	0.0205
Rebates to qualifying pensioners	20.00%	20.00%	20.00%
Number of employees	120	85	75